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ORIGINAL

October 21, 2002

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VIA COURIER

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445-12th Street, S.W.  
Washington, D.C. 20554

Re: XO Communications, Inc.  
Applications for Consent to Transfer of Control  
IB Docket No. 02-50

Dear Ms. Dortch:

In its Memorandum Opinion, Order, and Authorization in the docket captioned above, the Commission granted six applications for consent to transfer control of certain Commission licenses and authorizations held by XO Communications, Inc. ("XO") and its subsidiaries.<sup>1</sup> By its attorneys, XO hereby advises the Commission that the Stock Purchase Agreement, dated January 15, 2002, among XO, Forstmann Little & Co. Equity Partnership-VII, L.P. ("Forstmann Little Equity VII") and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P. ("Forstmann Little MBO VIII") (Forstmann Little Equity VII and Forstmann Little MBO VIII, collectively "Forstmann Little"), and Telefonos de Mexico, S.A. de C.V. ("Telmex"), have reached an agreement pursuant to which the Stock Purchase Agreement will be terminated and any potential claims related to the Stock Purchase Agreement or its termination will be settled. The termination of the Stock Purchase Agreement is subject to bankruptcy court approval, which was applied for on October 15, 2002. As a result, there will be no transfer of control in accordance with the Memorandum Opinion, Order and

<sup>1</sup> In Re XO Communications, Inc., Memorandum Opinion, Order, and Authorization, IB Docket No. 02-50, DA 02-25 12, rel. Oct. 3, 2002

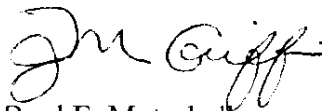
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Marlene H. Dortch  
October 21, 2002  
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Authorization. XO will seek additional approval from the Commission for any other transfer of control or assignment of license.

A copy of XO's press release regarding the termination of the Stock Purchase Agreement is attached. Please contact the undersigned counsel if you have any questions regarding this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Br E. Mutschelknaus".

Brad E. Mutschelknaus  
Joan M. Griffin  
Its Attorneys

cc: Jim Ball  
George Li  
Susan O'Connell  
Mark Uretsky  
Imani Ellis-Cheek  
Jeff Tobias  
Neil Dellar  
Jim Bird  
Elizabeth Yockus  
Zenji Nakazawa



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## XO Communications Agrees to Terminate Investment Agreement with Forstmann Little and TELMEX

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### - Company Moving Forward With Stand-Alone Reorganization Plan -

Reston, VA - XO Communications, Inc. (OTCBB: XOXOQ) announced today that it has agreed with Telefonos de Mexico, S. A de C.V. (TELMEX) and certain investment partnerships affiliated with Forstmann Little & Co. to mutually terminate the previously announced Forstmann Little/TELMEX Investment Agreement and to settle any potential claims relating to the Investment Agreement or its termination.

Under the terms of the settlement, which is subject to bankruptcy court approval, the Investment Agreement will be deemed terminated, Forstmann Little and TELMEX will each pay XO \$12.5 million, for a total of \$25 million, and all parties will release any claims they may have relating to the Investment Agreement. The settlement has the support of all parties to the Investment Agreement, the entities controlled by Carl C. Icahn which hold over 85% of XO's senior secured debt and over \$1.33 billion face amount of XO's senior notes, the indenture trustee for XO's subordinated notes, and the plaintiffs in certain shareholder actions. XO has scheduled a hearing for bankruptcy court approval of the settlement for mid-November.

XO also announced that, in light of these developments, it will take steps to implement the stand-alone plan contained in its plan of reorganization filed with the bankruptcy court. As previously announced, XO included the stand-alone plan as part of its plan of reorganization in order to allow XO to move quickly to complete its financial restructuring if the transactions contemplated by the Forstmann Little/TELMEX Investment Agreement did not close for any reason. XO will now withdraw the Forstmann Little/TELMEX plan, which the bankruptcy court confirmed last August, and seek confirmation by the bankruptcy court of the stand-alone plan. XO has scheduled a hearing date for confirmation of the stand-alone plan for mid-November.

XO will commence the process of seeking the regulatory approvals required to complete the stand-alone plan. The Company believes that the receipt of these regulatory approvals and the confirmation of the stand-alone plan by the Bankruptcy Court are two of the most significant steps that XO must accomplish before the restructuring can be completed and the Company can emerge from bankruptcy.

XO's operating subsidiaries continue to provide service to more than 100,000 business customers and to add new customers, evidencing the ongoing value in XO's wide range of industry-leading product offerings and markets served. XO also continues to improve operations and operational costs. XO had cash and cash equivalents of more than \$500 million as of September 30, 2002.

### About XO Communications

XO Communications is a leading broadband communications service provider offering a complete set of communications services, including: local and long distance voice, Internet access, Virtual Private Networking (VPN), Ethernet, Wavelength, Web Hosting and Integrated voice and data services.

XO has assembled an unrivaled set of facilities-based broadband networks and Tier One Internet peering relationships in the United States. XO currently offers facilities-based broadband communications services in 65 markets throughout the United States.

For more information contact:

Kara Palamaras/ XO Communications  
Media and Industry Analysts  
703-547-2011 or 703-675-3496

Noelle Beams/ XO Communications  
Financial Analysts  
703-547-2002

The statements contained in this **release** that are not historical facts are "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements include those describing the expected future operations of XO and the expectations regarding the outcome of the restructuring transactions **and** the related Bankruptcy Court proceedings **described** in this **release**. Management wishes to caution the **reader** that these forward-looking statements **are** only predictions and are subject to risks and uncertainties and actual results may **differ** materially from those indicated in the forward-looking statements as a result of a number of factors. **These** factors include, but **are** not limited to, risks associated with XO's ability to complete the transactions described in this **release** **and** those risks and uncertainties **described** from time to time in the reports filed by XO Communications with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2001 and in its Quarterly Report on Form 10-Q for the **quarter ended** June 30, 2002. Other important factors that **could** cause actual events or results to **be** materially different from the forward-looking statements **include** the ability of the Company to confirm and consummate its **proposed** plan of reorganization **as** it relates to the stand-alone plan, including obtaining necessary regulatory approvals. Obtaining **necessary** support from applicable creditor groups for the confirmation of the stand-alone **plan**, court approval of motions **prosecuted by** the Company from time to time in the chapter 11 case, timing of **and** issues that may arise in connection with court approval of the settlement agreement discussed in this release, risks associated with third parties seeking and obtaining court approval to terminate or shorten the exclusivity **period** for the Company to propose **and** confirm one or more plans of reorganization, for the appointment of a chapter 11 trustee or to convert the chapter 11 case into a **chapter 7** case. <p> XO, XO Not Just Talk and the XO design logo are trademarks of XO Communications, Inc. All other trademarks are the property of their respective owners

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## CERTIFICATE OF SERVICE

I, Charles "Chip" M. Hines III, hereby certify that a true and correct copy of the foregoing letter from XO Communications, Inc. in the Matter of IB Docket No. 02-50 was served on this the 21<sup>st</sup> day of October 2002 on the individuals in the following list:

Delivered via U.S. Mail:

Scott Burnside  
Senior Vice President, Regulatory  
And Government Affairs  
RCN Corporation  
100 Lake Street  
Dallas, Pennsylvania 18612

A handwritten signature in black ink, appearing to read "Charles M. Hines III", written in a cursive style.

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Charles "Chip" M. Hines III